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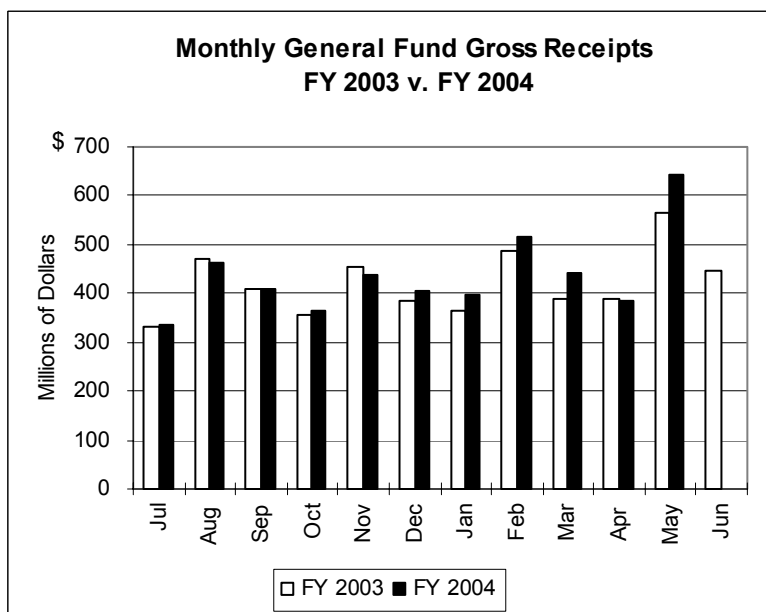
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: June 1, 2004

Monthly General Fund Receipts through May 31, 2004

The attached spreadsheet presents year-to-date FY 2004 General Fund receipts, with comparable figures for actual FY 2003. The figures can be compared to the FY 2004 estimate of \$5.139 billion set by the Revenue Estimating Conference (REC) on March 19, 2004. The FY 2004 estimate is an increase of \$92.5 million (1.8%) compared to actual FY 2003 gross cash receipts (excluding transfers & accrued revenue changes). A date for the next Revenue Estimating Conference has not been set.



FY 2004 Compared to FY 2003

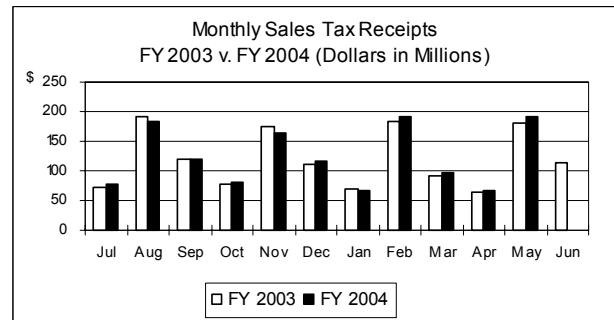
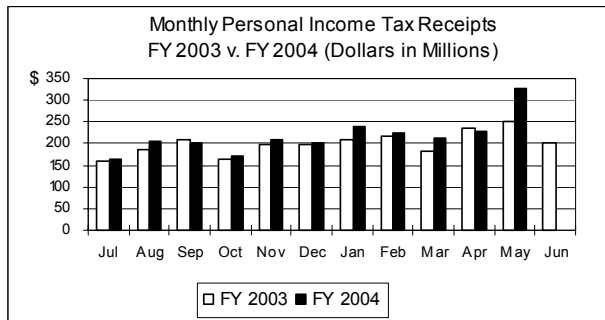
Year-to-date FY 2004 total gross revenues (excluding transfers) increased \$192.2 million (4.2%) compared to the same time period of FY 2003. Major revenue sources contributing to the change include:

- Personal income tax (positive \$173.2 million)
- Sales & use tax (positive \$29.1 million)
- Corporate tax payments (negative \$11.4 million)
- Other taxes (negative \$18.7 million)
- Other receipts (positive \$20.1 million)

A portion of the projected revenue growth in FY 2004 is due to changes to unclaimed property regulations. Much of the additional revenue from this source is not expected until June 2004. Fiscal year 2004 transfers from the Unclaimed Property Fund to the General Fund are projected to be \$37.8 million. Through May 31, \$10.0 million has been transferred.

Personal income tax revenues received in May totaled \$327.8 million, an increase of \$76.8 million (30.6%) compared to May 2004.

The FY 2004 REC income tax estimate of \$2.534 billion represents a projected increase of 4.8% compared to actual FY 2003. The year-to-date change in personal income tax receipts is 7.8%. Withholding tax payments are up 7.1% while estimated income tax payments have increased 3.5%. Payments with returns are up 21.5% for the year. The following Chart compares FY 2004 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2003.



Sales tax receipts received in May totaled \$191.5 million, an increase of \$11.1 million (6.2%) compared to May 2003.

The REC estimate for FY 2004 sales tax receipts is \$1.437 billion, a decrease of 0.9% compared to actual FY 2003. The year-to-date growth in sales tax receipts is positive 1.2%. The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

Use tax receipts received in May totaled \$31.5 million, an increase of \$1.3 million (4.4%) compared to May 2003.

The REC estimate for FY 2004 use tax receipts is \$266.9 million, an increase of 5.0% compared to the FY 2003 level. The year-to-date growth in use tax receipts is positive 5.6%.

Corporate tax receipts received in May totaled \$25.5 million, a \$2.6 million decrease (- 9.3%) compared to May 2003. The REC estimate for FY 2004 corporate tax receipts is \$194.3 million, which represents a decrease of 18.0% compared to actual FY 2003. The year-to-date growth in corporate tax receipts is negative 5.5%.

Other tax receipts received in May totaled \$40.6 million, a \$12.1 million (- 23.0%) decrease compared to May 2003. All categories of other taxes were down for the month, with the majority of the decrease attributed to insurance premium taxes (- 25.6%). Payment and processing issues related to the June 1 prepayment and the tax rate decrease contributed to the May decline.

The REC estimate for FY 2004 receipts from other taxes is \$363.6 million, which represents a decrease of 3.3% compared to actual FY 2003. The year-to-date growth in other taxes is negative 6.0%, with most of the decrease attributed to inheritance and insurance taxes.

Other receipts (non-tax receipts) received in May totaled \$25.2 million, a \$3.8 million (17.9%) increase compared to May 2003. All categories of other receipts showed increases for the month.

The REC estimate for FY 2004 other receipts is \$343.1 million, which represents an increase of 10.1% compared to actual FY 2003. The year-to-date growth in other receipts is 6.9%. The increase was due to the transfer of Area Education Agency (AEA) balances, liquor profit transfers, and increased fee receipts. Much of the remaining projected revenue increase (unclaimed property) in other receipts is expected to arrive in June.

Tax refunds have increased \$81.6 million (14.7%) fiscal year-to-date. For the full fiscal year, the REC projects tax refunds will increase \$78.2 million (12.1%). A significant reduction in the backlog of tax refunds from previous years has contributed to the year-to-date increase.

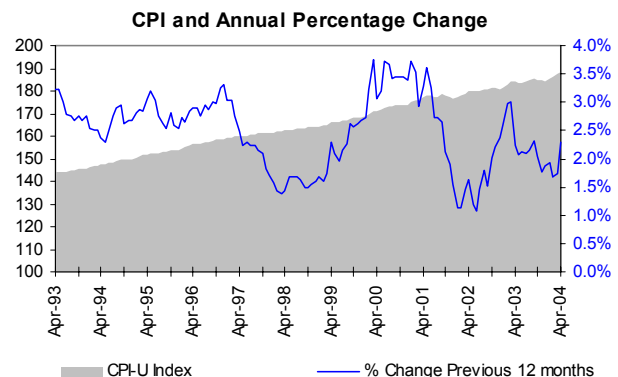
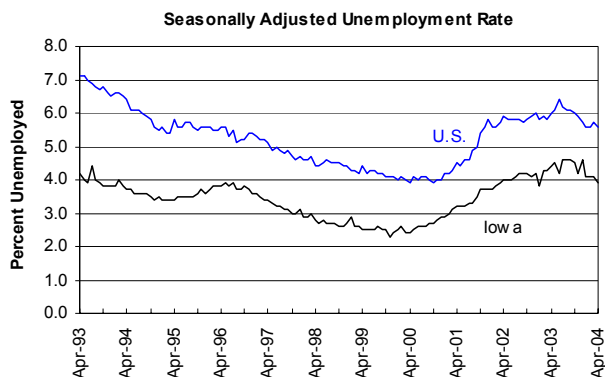
Status of the Economy

The April seasonally adjusted Iowa civilian unemployment rate was 3.9%, 0.2% lower than the March level and 0.5% lower than one year ago. Iowa's total adjusted April 2004 employment registered at 1,556,400, up 10,000 (0.6%) from last year's April level.

The number of unemployed persons in Iowa was reported at 62,800 in April, a decrease of 9,200 compared to April 2003.

The U.S. unemployment rate for April 2004 was 5.6%, 1.4 percentage points above the Iowa rate. The U.S. rate one year ago was 6.0%.

Consumer prices increased 0.3% during the month of April (not seasonally adjusted). The Consumer Price Index (CPI-U) through April 2004 was 188.0 (1983/84=100), 2.3% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through April.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through May 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate		
	FY 2003	FY 2004	Year to Date % CHANGE	May % CHANGE	Actual FY 2003	Estimate FY 2004	Projected % CHANGE
Personal Income Tax	\$ 2,215.5	\$ 2,388.7	7.8%	30.6%	\$ 2,417.6	\$ 2,534.0	4.8%
Sales Tax	1,337.2	1,352.9	1.2%	6.2%	1,450.3	1,437.3	-0.9%
Use Tax	239.0	252.4	5.6%	4.4%	254.2	266.9	5.0%
Corporate Income Tax	206.9	195.5	-5.5%	-9.3%	237.0	194.3	-18.0%
Inheritance Tax	81.0	72.5	-10.5%	-12.3%	88.1	76.7	-12.9%
Insurance Premium Tax	98.5	89.8	-8.8%	-25.6%	142.2	136.6	-3.9%
Cigarette Tax	79.3	78.3	-1.3%	-4.2%	88.1	86.3	-2.0%
Tobacco Tax	6.8	7.3	7.4%	-21.6%	7.4	7.9	6.8%
Beer Tax	12.6	12.7	0.8%	2.4%	13.9	14.0	0.7%
Franchise Tax	30.6	31.4	2.6%	-12.9%	35.3	40.6	15.0%
Miscellaneous Tax	3.6	1.7	-52.8%	-130.7%	1.1	1.5	36.4%
Total Special Taxes	\$ 4,311.0	\$ 4,483.2	4.0%	13.7%	\$ 4,735.2	\$ 4,796.1	1.3%
Institutional Payments	15.3	11.9	-22.2%	-2.5%	16.2	14.7	-9.3%
Liquor Transfers - Profits	36.5	42.5	16.4%	42.9%	40.0	45.0	12.5%
Liquor Transfers - 7% Revenues	8.3	8.3	0.0%	0.0%	9.0	9.0	0.0%
Interest	17.4	6.8	-60.9%	-45.3%	18.1	10.0	-44.8%
Fees	64.7	75.6	16.8%	20.4%	72.1	66.5	-7.8%
Judicial Revenue	49.0	51.7	5.5%	13.3%	54.7	57.3	4.8%
Miscellaneous Receipts	38.5	53.0	37.7%	19.7%	41.4	80.6	94.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 4,600.7	\$ 4,793.0	4.2%	13.9%	\$ 5,046.7	\$ 5,139.2	1.8%